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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC No. 03127-84/1
29 May 1984

MEMORANDUM FOR: See Distribution

FROM: Milton Kovner
National Intelligence Officer for Western Europe

SUBJECT: Meeting on Forecast and Warning for Western Europe

1. Attached is my report to the DCI based on our meeting held 23 May 1984. If there are any significant amendments or additions you would wish to make, please let me know. (U)

2. Next month's warning meeting will be on 20 May 1984 at 1015 in room 7-E-62. CIA Headquarters. Please have your clearances passed and call with names of the attendees by the opening of business on 19 June 1984. (U)

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3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 11 June 1984.

Milton Kovner
Milton Kovner

Attachment
a/s

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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 03127-84
25 May 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: National Intelligence Officer for Warning

FROM: Milton Kovner
National Intelligence Officer for Western Europe

SUBJECT: Forecast and Warning Assessment for Western Europe

I. Prospects for INF

It was concluded that a number of developments warrant closer attention for signs of new allied positions on INF basing during the remainder of 1984. [] analysts note that Prime Minister Craxi's Lisbon statements on a weapons moratorium, [] probably reflect genuine Italian thinking that new initiatives might now be in order. []

[] is less certain that despite Craxi's outspokenness there is any fundamental change in official Italian attitudes on deployment.

Most analysts agreed that increasing pressure on the Netherlands government to make a firm decision on INF basing could precipitate a serious cabinet crisis during the next several weeks. Many analysts believe there is still a small chance that Dutch leaders can find a way to postpone again a basing decision -- an outcome that the allies would find acceptable. [] noted that a postponement would merely force the current center-right government to face the issue again in the 1985 election period. CIA analysts added that even if the issue is decided now in favor of deployment, the anti-INF Labor Party would make

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deployment a campaign issue -- since actual basing will not begin until 1986. In the absence of a new issue or controversy, however, analysts believe that the peace movement has lost its audience in key basing countries. To most Italians, Germans, and Britons, INF deployment has been decided. Nonetheless, some analysts cautioned that there would still be demonstrations in London during the President's visit, and they do not rule out the possibility that peace activists will mobilize against US and NATO policies on chemical weapons if actions taken in Washington provide for new press controversies.

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II. Europe's Economic Perspectives: The Two Summits

Of the two meetings -- the 7-9 June London Economic Summit and the 26-27 June EC Summit -- analysts believe the Community gathering will be more significant. Analysts do not anticipate any major disputes to arise during the London meeting. European leaders will be in basic agreement with the US view that economic prospects are improving, although some leaders will emphasize that Europe's economic recovery is still very fragile and subject to setbacks if interest rates and protectionism are not controlled. Thus, unless interest rates rise dramatically over the next several weeks, analysts do not foresee any great difficulty reaching a consensus on the Summit communique. Analysts did note that there could be some minor frictions, both between Europeans and with the US, over the communique's reference to a new tariff reduction round, Persian Gulf oil problems and Western military contingencies, and Western steps to stop terrorism.

At the EC Summit, the budget issue will dominate the discussions, although analysts do not believe that the British problem of limiting the size of future budget contributions will be solved. The basic issue remains whether the EC will adopt to a fixed percentage of each member's Gross Domestic Product (GDP) as a ceiling for future contributions (which the UK favors) in place of an annual ad hoc rebate for the UK (which the FRG and others favor). While most EC members agree with Thatcher that the British should not continue to be the second largest net contributor,

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Forecast: Analysts believe that Thatcher is content to stand pat for awhile and let financial pressure build on the EC throughout the summer. By the Fall, when budgetary shortfalls will begin, she might then show some flexibility on increasing EC revenues depending on how far other EC members have accommodated themselves to the UK demand for a fixed ceiling on contributions. This drawn-out dispute should not affect the pace of EC enlargement, unless it drags on for more than six months or the Value-Added-Tax (VAT) increases finally approved by the Community are too low to support the added cost of Spanish and Portuguese accession. However, any setback to the 1986 target date for EC membership could derail Madrid's plans for preparing the way for the promised referendum on NATO.

III. The June European Parliamentary Elections (14-17 June)

The first direct election of representatives to the European Parliament will be essentially popularity contests for governing and opposition parties, and the results could have an impact on domestic politics in Greece Italy, and France:

- Papandreou has stated that if his Pasok Party does as poorly as some expect, he might be obliged to call for early elections
- gains for Craxi's Socialist Party and the PCI, combined with losses for the Christian Democrats, could tempt some Italian leaders to bring about a crisis in the present coalition
- a poor showing for Mitterrand's Socialist Party and the PCF could further weaken the sagging popularity of the government parties and create more serious pressure for a break in the Socialist-Communist coalition.

Analysts also noted that the European elections could replace the present slim majority of center-right parties in the parliament with a slight majority for socialist and communist parties, and give a more anti-US tone to EP resolutions dealing with security issues and the Alliance.

IV. Watching Brief: Cyprus

Analysts agree that the UN Security Council resolution on Cyprus marks a transition from active diplomacy by the Secretary General and the disputants to a period of stalemate and increasing tensions on the island. The resolution was in many ways a "pyrrhic" victory for the Greek Cypriots, since the condemnation of the Turkish side has not resulted in any dramatic pressures being brought on the TRNC or Ankara.

Growing disinterest with the

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Cyprus issue among many non-aligned and European states and a belief that the two communities must resume the dialogue could gradually work to the disadvantage of the Greek Cypriots who refuse to negotiate until UDI is reversed.

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Milton Kovner

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